



# University of CINCINNATI

## WHY IS THE UNIVERSITY GROWING? <sup>3</sup>

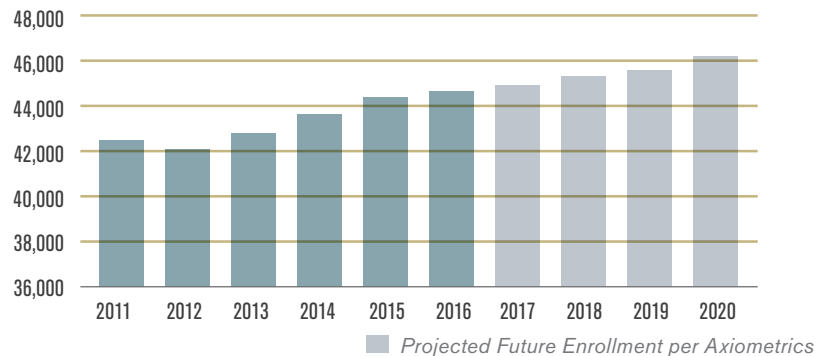
- More Ohio students are choosing UC
- UC is targeting out-of-state students
- A stronger, more diverse pool of college-ready students are applying to UC

<sup>3</sup> <http://www.cincinnati.com/story/news/2017/06/15/university-cincinnati-expects-record-enrollment-fall-2017/393499001/>

- Founded 1870
- 2nd largest university in Ohio
- Enrollment 44,783
- On campus student/bed ratio 14%
- \$1.29 billion in endowments
- In-state tuition \$9,322
- Out of state tuition \$24,656



## UNIVERSITY OF CINCINNATI ENROLLMENT HISTORY



## REALPAGE Outperform

**CINCINNATI APARTMENT RENT GROWTH ACCELERATES**  
by Greg Willett | Jul 24, 2017

The list of the nation's metro-level apartment rent growth leaders as of mid-2017 includes a perhaps surprising newcomer – Cincinnati.

Effective rents for new-resident leases have climbed 5.4% during the past year in Cincinnati... Cincinnati's annual rent growth rate is now the strongest in the Midwest, slightly outperforming the increases of 5.0% in Minneapolis/St. Paul and 4.7% in Detroit.

Read full article: <https://www.realpage.com/mpf-research/cincinnati-apartment-rent-growth-accelerates/>

## UC Magazine

**UC PROJECTS RECORD-BREAKING FALL CLASS**  
by Rachel Richardson | Aug. 17, 2016

UC prepares to welcome largest total enrollment and largest incoming

The University of Cincinnati is on track to smash records again, as projections call for an all-time record fall enrollment of 45,000 students, including the largest first-year class in the university's 197-year history.

This year is expected to be the fourth consecutive overall enrollment record for UC, topping last year's all-time high of 44,251.

Estimates suggest that this year's incoming class of 6,900 first-year students – up 8.9 percent from last year – is not only the university's largest, but also among the smartest.

Read full article: [http://magazine.uc.edu/editors\\_picks/recent\\_features/backtoschool16.html](http://magazine.uc.edu/editors_picks/recent_features/backtoschool16.html)

## WLWT5

**UNIVERSITY OF CINCINNATI OPENS WITH RECORD ENROLLMENT**  
By Andrew Setters | Aug. 21, 2016

**43,500 STUDENTS ENROLLED**

The University of Cincinnati welcomed students back to class on Monday for the first day of the 2017 academic year. UC has broken another enrollment record with 43,500 students taking classes this fall.

The school is working to make the cost of education more affordable, too. The University is aggressively educating students about their future financial responsibilities.

Read full article: <http://www.wlwt.com/article/university-of-cincinnati-opens-with-record-enrollment/12042069>



## Nelson Brothers STUDENT HOUSING

CLASS "A"  
midrise student housing near



## CP Cincy

195 EAST MCMILLAN ST. CINCINNATI, OH 45219  
CP Cincy, DST | 1031 ELIGIBLE

## TARGETED BENEFITS

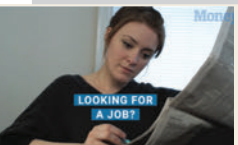
- 6.40% first year targeted cash-on-cash
- Year Built: 2005 Renovated: 2016
- 99.77% current 2017/2018 occupancy (12 month leases)
- Tax Efficiency with passed through depreciation\*

\*NB believes this property will potentially defer 100% income through depreciation

Anchored by the historical stability of the University of Cincinnati



## Money (Time.com)



### THE 25 BEST CITIES FOR JOBS - AND THERE ARE TONS OF OPENINGS RIGHT NOW

by Kristen Bahler September 12, 2017  
Based on affordability, openings, and job satisfaction.

When people relocate for a job, they tend to gravitate towards millennial meccas like New York and San Francisco. But if you're looking for a change of scenery, a midsize city with working-class roots may be the wiser bet.

New data from careers site Glassdoor reveals the 25 best U.S. metro areas for jobs, based on affordability, openings, and job satisfaction.

"When it comes to finding the best city for jobs, bigger doesn't necessarily mean better," says Glassdoor Chief Economist Dr. Andrew Chamberlain. "These areas stand out for offering some of the greatest job prospects along with a lower cost of living that allows more employees to live comfortably."

Read full report: <http://time.com/money/4937290/best-cities-for-jobs-2/>

7. Columbus, OH	<ul style="list-style-type: none"> <li>• Job Openings: 78,370</li> <li>• Median Base Salary: \$41,000</li> <li>• Job Satisfaction Rating: 3.8</li> <li>• Median Home Value: \$162,900</li> </ul>
8. Cincinnati, OH	<ul style="list-style-type: none"> <li>• Job Openings: 79,254</li> <li>• Median Base Salary: \$44,637</li> <li>• Job Satisfaction Rating: 3.5</li> <li>• Median Home Value: \$152,200</li> </ul>
9. Cleveland, OH	<ul style="list-style-type: none"> <li>• Job Openings: 66,420</li> <li>• Median Base Salary: \$42,000</li> <li>• Job Satisfaction Rating: 3.5</li> </ul>
10. Louisville, KY	<ul style="list-style-type: none"> <li>• Job Openings: 49,215</li> <li>• Median Base Salary: \$41,150</li> </ul>

## Nelson Brothers

16B Journey | Aliso Viejo, CA 92656 (800) 580-1031

### ABOUT NELSON BROTHERS

#### Current Management Portfolio At-A-Glance:

- ◆ Founded in 2007, Nelson Brothers specializes in what the firm considers to be well-positioned student housing properties.
- ◆ Headquartered in Orange County, CA, Nelson Brothers manages over \$750 million in real estate with more than 100 employees.

CpCincyExSum01 | 11.9.17



Cincinnati: Averaging 5.4% rental rate growth through 2017  
<https://www.realpage.com/mpf-research/cincinnati-apartment-rent-growth-accelerates/>

## PROPERTY SUMMARY

CP Cincy is located within a half-mile from the University of Cincinnati and features five levels with 440 beds and 121 units. About 40% of the beds are master leased by the University for off campus housing for its students.

The Property boasts an extensive list of luxury community amenities and apartment features at an affordable value for students. The property is priced competitively with an average asking rent/bed at \$653, the lowest amongst the four other purpose-built student housing properties.

Enrollment is expected to remain strong and the threat of new supply affecting the market seems relatively low over the next five years. A rental rate growth and high occupancy rate is forecasted over a five-year holding period.



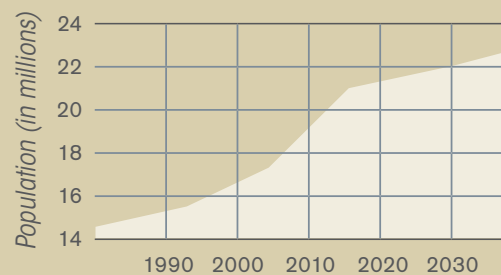
## INVESTMENT HIGHLIGHTS

NB believes CP Cincy is a potentially strong core asset in a market with barriers to additional new supply that could otherwise temporarily interrupt the rate of income. Instead, it is poised to have a high occupancy rate and potentially increase rental rates at a steady annual growth of 2-3% over the next five years.

FORECASTED 5YR	
Avg. Annual Enrollment Growth	1.7%
Avg. Annual Occupancy Rate	96%
Avg. Annual Rental Growth	2.3%

FLOOR PLAN	UNITS	BEDS	PERCENT	EFFECTIVE RENT PER BED	EFFECTIVE RENT PSF
2BD/1BR	10	20	5%	845	2.37
2BD/2BR	7	14	3%	905	2.00
3BD/2BR	10	30	7%	715	2.15
4BD/2BR	94	376	85%	629	2.13

### U.S. COLLEGE ENROLLMENT POPULATION GROWTH



College enrollment over the past few decades shows almost no correlation to the economy.

Student enrollment expected to grow 13% over the next 10 years\*  
\*Source: National Center for Education Statistics

#### COMMUNITY AMENITIES

- › Resort-style swimming pool
- › Recording studio
- › Fitness center/ weight room
- › Two on-site laundry facilities
- › Stand-up tanning beds
- › Study lounge
- › Two computer centers
- › Pilates room
- › Coffee bar
- › Private gated parking garage
- › Shuttle service to UC

#### UNIT AMENITIES

- › Fully Furnished
- › Wood Style Flooring
- › Cable & Wi-Fi
- › Bedroom Lock
- › Fully equipped kitchen
- › Breakfast bar
- › Oversized closets

## STUDENT HOUSING MARKET

Nelson Brothers prefers to focus on markets where university enrollment growth and collective occupancy have been consistently strong, especially in larger cities like Cincinnati where there are typically high physical and market barriers to entry in well-established, in-fill locations. Since 2009, the U of Cincinnati has experienced an average of 2.7% annual enrollment growth adding over 7,000 new students.

PROPERTY	BEDS	DISTANCE	AVG PRICE PSF	OCCUPANCY RATE
CP Cincy	440	0.4	\$2.18	100%
The Verge	495	0.1	\$2.22	100%
University Edge UC	232	0.3	\$1.96	100%
University Edge UC II	112	0.3	\$1.96	100%
University Station	480	2.4	\$1.90	100%

### High Demand, Limited Supply

The percentage of total housing options to enrollment is 51% with university housing providing only 14% of enrollment with beds. Due to these conditions, the market occupancy rates remain very strong. The current collective occupancy rate amongst the purpose-built student housing properties is 100% and student competitive is 95.8%.<sup>1</sup>

### Competitive Breakdown

Nelson Brothers believes CP Cincy is well-positioned with an excellent location in a tight market. A key advantage to housing for universities in larger cities is the inherent lack of shadow or alternative markets.

NB believes most students prefer to live near campus and around other students. In a market where designated student housing is underserved, students may have other alternatives, but they tend to be expensive and less attractive. While the market is expecting new supply – both for dedicated student and for student competitive – NB believes demand growth will continue to outpace supply. As new development is expected to be constructed at a substantially high cost, we expect new entrants to come in at a full cost premium; helping to push the rents upward for the entire market. We expect many of any new projects to be developed near the pricey central business district – roughly 2.5 miles from campus.

### Strong Market Forecast (2017-2022)

Due to the strong supply and demand characteristics, occupancy and rent growth for privately owned student housing properties are projected to remain solid from 2017 to 2022 even with the addition of 4,000 new beds anticipated to be delivered. However, most of the planned beds are student competitive and located in the central business district of Cincinnati with an average distance of over two miles from campus.<sup>2</sup>

<sup>1</sup> Axiometrics Supply and Demand 2017  
<sup>2</sup> Axiometrics University Report



## STUDENT HOUSING

U.S. college enrollment has historically shown minimal correlation to real estate cycles and to the greater economy (See U.S. College Population Enrollment Chart). NB believes that students will pursue degrees from major universities regardless of the economic climate. The company's strategy is to find strong college micro-markets, and within them, what we believe to be well-positioned properties that have the potential for staying well-occupied and profitable during an economic downturn.

## LOAN DETAILS

Term: 10 Year Fixed Interest at 4.00% with 5-YR interest only

## TARGETED PRO FORMA ANALYSIS

(Master Lease Structure)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Total Operating Income</b>	3,238,726	3,335,888	3,435,965	3,575,976	3,683,255	3,793,753	3,907,566	4,024,793	4,145,537	4,269,903
<b>Total Expenses</b>	1,169,715	1,549,134	1,580,254	2,115,900	2,219,627	2,264,260	2,309,820	2,356,325	2,403,795	2,452,250
<b>Expense Ratio</b>	36.1%	46.4%	46.0%	59.2%	60.3%	59.7%	59.1%	58.5%	58.0%	57.4%
<b>NOI</b>	2,069,011	1,786,754	1,855,711	1,460,076	1,463,629	1,529,493	1,597,746	1,668,468	1,741,742	1,817,652
<b>Debt Service</b>	(676,000)	(676,000)	(676,000)	(676,000)	(676,000)	(968,198)	(968,198)	(968,198)	(968,198)	(968,198)
<b>Cash Flow After Debt Service</b>	1,393,011	1,110,754	1,179,711	784,076	787,629	561,295	629,548	700,270	773,544	849,454
<b>Distributions %</b>	6.40%	6.40%	6.40%	6.50%	6.50%	5.00%	5.00%	5.10%	5.20%	5.20%

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## INVESTOR BENEFITS

Nelson Brothers believes student housing investments may be unique in that, if executed properly, the right project can offer a variety of potential benefits.

First is portfolio diversification that provides an opportunity to collect monthly income from a historically stable asset class that has shown a low correlation to other real estate sectors and the stock/ bond market.

Nelson Brothers' goal for CP Cincy is to leverage the historical stability of the University to potentially offer investors a variety of benefits that include the following:

- › Stable occupancy
- › Monthly cash flow
- › Tax efficiency with passed through depreciation
- › Capital appreciation

## OFFERING DETAILS

1st Year Targeted Cash-on-Cash Return	6.40%
Total Offering Price	\$30,417,833
Investor Equity	\$13,517,833
Total Loan Amount	\$16,900,000
Loan-to-Value	55.6%
Minimum investments	\$50,000

## PROPERTY PROFILE

Address	195 East McMillan St. Cincinnati, OH 45219
Website	www.cpcincy.com
Year Built	2005
Beds	440
Net Rentable Area	132,046
Average SF	1,082
Market Rent/Unit/Month	\$2,376
Market Rent/Bed/Month	\$653
Market Rent/SF/Month	\$2.20
Fall 2017 Current Occupancy	100%